

2.9 Cash Management

2.9.1 Objective

The Treasury module consists of Cash Management, Cash Budget Management, Treasury Management, Loans, Market Risk and Information Systems. Cash Management is utilized as a planning tool for cash control and up-to-date liquidity analysis of an organization. Cash Budget Management includes additional tools to assist in liquidity management. Cash Budget Management cannot be implemented with organizations using Funds Management and therefore, will not be used in the SCEIS solution. Treasury management's main objective is to ensure liquidity, minimize financing costs, optimize investment returns, and hedge against fluctuations in revenues and expenses. The Treasury management functions focus on trading, tracking and analyzing financial securities. The Treasury management functions will be reviewed for implementation at a later date. The Loans sub-module is responsible for processing and administering loans and mortgages. As such, this functionality is not applicable for the SCEIS solution implementation. Market risk concerns the management and hedging of currency and interest rates. This functionality will not be implemented at this time for the SCEIS solution.

Process Definition

GAP

The State requires that Cash be controlled at the fund level within their financial system. The level of control must be hard and must prevent the overspending of cash balances based on the impact of the transaction against the balance of cash in the fund. Specific rules exist to govern whether all funds or only specific funds are required for this level of control. Most non-General fund cash requires this level of control.

Cash control, in the SCEIS solution, is maintained at the bank account level. These controls are intended to prevent over spending bank account balances on transactions impacting the banking data. Certain customers have indicated a need to maintain cash controls and edits at the fund level within their organization. Since many customer organizations have instituted a pooling of cash concept in order to minimize the number of required bank accounts and maximize investment opportunities, the cash control at the bank account level cannot be used to satisfy their requirements. This has been identified as a GAP within the State's requirements.

In order to accommodate the requirement, the project team has identified several options to either mitigate or remove the gap. Each of the options has its advantages and disadvantages. Regardless as to the option selected, the State will work with SAP to provide detailed information on what is required, so as to try and steer a future development task to support this need. The options for mitigating or removing the Gap include:

- Implement a modified version of a non-standard, customized solution developed by SAP for another customer (under a previous release). This option utilizes user exits within the posting routines to validate the cash balances by fund against defined tolerances. The option would include the implementation of a secondary ledger that allows for the summarization of financial transactions by business area, fund, and grant and the development of custom tables and entry screens to manage the tolerances.
- Develop custom programs to access an externally managed cash ledger. The cash ledger could reside within custom tables in the SCEIS solution and populated on a nightly basis or reside in a separate application altogether.
- Use the information provided on reports under a ‘pooled cash’ concept to identify where funds have generated a negative cash balance (prior to check issuance and/or EFT). This option is a reactionary approach that addresses the shortfall after the transactions have posted. In this option, cash would be transferred to satisfy the deficit in one fund from another.

With the adoption of pooling concepts, many organizations have done away with requirements to control cash at the fund level. Many funds operate on a reimbursement basis or are funded through the general revenues of the entity (such as taxes), and therefore, are normally behind in their individual cash position. This position is supported from other funds or through the issuance of revenue bonds or loans. The cash control exercised today does not prevent entering into a contractual arrangement with a vendor or the payment of payroll to employees. The control is only exercised on payments for goods and services already received (either internally or externally) or for the transfer of costs from one fund to another. It has been recommended that using the third option, the pooled cash concept, for reporting and monitoring cash balances at the fund level will provide a means for monitoring and potentially transitioning away from the legacy requirement of having cash control. The alternative would be to utilize the first option, an approach developed by SAP for another customer, and modify it to fit within the new release. This approach should provide a level of control desired by the State. The State should also continue to work with SAP to develop a baseline solution.

Pooled Cash Approach in the SCEIS Solution

The SCEIS solution has the ability to easily record and track all cash-relevant movements between high-level organizations (business areas), funds and grants. This includes the ability to track the partner business areas, funds and grants that own the cash being managed by the State Treasurer's Office and allow for allocation of investment earnings back to these partner business areas, funds and grants.

A constant is defined for business area and fund and is used when posting transactions to accounts contained within specific item categories. The item categories are predefined and included within the Split Processor functions. The constants are created and are assigned to the bank account item categories. Unrestricted bank and investment accounts are assigned to the bank account item categories, which would have the State Treasurer's Office business area and the "Treasurers" fund constants assigned in order to enable true equity in pooled cash accounting. The FI/CO reconciliation ledger clearing account must also be assigned to the State Treasurer's constants to ensure that cost center accounting expense movements occurring between business areas, funds and grants, also are reflected in the equity in pooled cash balances.

When a posted document impacts a cash account (a bank account) assigned to the State Treasurer's constants, then a secondary posting is created against the State Treasurer's business area and "Treasurer's Fund" and includes the partner business area and fund. That is, the transaction that reduces or increases the cash balance includes the specific agency and the agency's fund that was used on the accounting transaction. A report of the "Treasurer's Fund" will reveal a balance by general ledger account that is split out by the participating partner business areas and partner funds.

In order to easily reflect cost or revenue movements between business areas, funds and grants in the Treasurer's Fund, these types of movements should be done in Controlling instead of Financial Accounting. When Controlling postings cross business areas, funds and grants, the Finance/Controlling (FI/CO) reconciliation ledger generates a posting to record these cost or revenue movements in the finance modules with a corresponding offset to the FI/CO reconciliation clearing account. If the Treasurer's Fund constants are assigned to the FI/CO reconciliation clearing account, these movements will then automatically be reflected in the Treasurer's pooled cash.

Master Data

Bank master records contain information about any banking institution with which an organization conducts business. Bank master record data for all banks in the system is stored in the bank directory. The data includes the bank key, the name of the bank, the address and country specification. The bank directory contains complete details about each house bank. A house bank is any banking institution with which the organization conducts business. Each house bank can have multiple bank accounts created within it, each identified by a unique code containing up to 18 characters. A general ledger account master record must be created for each bank account.

Cash Management

Cash Management is a sub-module of Treasury that may be utilized as a planning tool for cash control and for a reliable, up-to-date liquidity analysis of the State.

Cash Management covers the following main functions:

- Bank Statements: Bank account statements may be entered manually or electronically so that all data of relevance to a company's cash position is available in real-time
- Check deposit: Reduces check entering steps, automatically generates a check deposit list, updates the cash management system data, and generates the appropriate clearing entries for financial accounting
- Cash position: Reproduces activities on bank accounts and bank-related accounts. All transactions are displayed by value date
- Liquidity Forecast: information on long-term liquidity development
- Cash Concentration: allows companies to maximize their cash pooling strategy with various cash accounts
- Lockbox, Bill of Exchange presentation

Cash flows feed into the system from a wide range of different sources. Cash Management utilizes on-line integration of bank-related accounting and sub-ledger accounting. Cash management position reproduces the activity in bank accounts (similar to a bank statement) where users can:

- View up-to-date bank account activity
- Forecast daily liquidity or cash position covering the next few days

- Input controls to prevent data duplication
- Documentation and revision for all planning transactions

The SCEIS solution will be configured to process bank statements within the Cash Management sub-module. During the bank statement processing, incoming payments, customer payments, and vendor payments are posted, along with reporting on unresolved items that are identified for later resolution.

Bank statements are classified to bank accounts (and sub-accounts). Bank account statements may be entered manually in the SCEIS solution; however, the State is looking to automate the process and will include the process within the testing scenarios of Realization.

The SCEIS solution check deposit allows a user to enter checks into the system manually or electronically. Check deposits are mapped to bank accounts and bank sub-accounts. Check deposit processing functions operate on the same principles as Bank statement processing. Manual check deposit function:

- Enables user to enter all checks received into the SCEIS solution
- Posts entries in two steps, within the General Ledger (subaccounts) and in the subledger (customer accounts)
- Clears customer invoices in the Accounts Receivable subledger or posts an entry on an appropriate General Ledger account
- After the input is complete, additional functions may be accessed to further process the entered checks

Electronic check deposit function features:

- Enables users to process data supplied by an external entry system (check reader). This data must be delivered in a format defined by the SCEIS solution
- Allows users to enter check deposits electronically and then complete and post individual data with the manual check deposit
- Allows creation of a batch input session directly if data is complete
- Data is transferred from a file to the bank data buffer

- When importing data, the system can be set to interpret the sender data of the check (e.g., bank key, bank account number) to search for a match in the customer bank details stored in the SCEIS solution. If a match is found, the program transfers the corresponding customer number to the check deposit list
- Some of the fields have to be entered manually during this process. If the external entry system does not supply the entries for these fields, parameters must be defined when the program is run. To avoid importing the same file several times, the external entry system can uniquely indicate the file and then have the SCEIS solution system check this indicator

The SCEIS solution will rely on daily electronic feeds from the banks to provide the level of detail required for system processing. To the extent possible, all cash deposit postings to the SCEIS solution should come from an electronic bank file. The specifications for these interfaces will be developed during Realization.

Cash Journal

The cash journal is a banking-related accounting sub-ledger for the management of petty cash in the State. Users can use it independently of other posting transactions and it does not have to update the General Ledger. The cash journal is a single screen transaction, which means that users can create, display, and change cash documents on one screen. For non-accounting users, the complexity can be completely hidden. They just select a type of transaction name such as “SUPPLIES” and the system creates the debits and credits behind the scenes.

Some of the benefits include:

- User does not need any accounting skills
- Filling two fields is sufficient to complete a cash transaction
- Personalization of screen through drag & drop
- Immediate receipt printing

Cash Journals are defined by company code. Multiple cash journals may be assigned to one company code. Opening and closing balances, as well as total receipts and payments, are automatically calculated and displayed. Cash Journal Entries and Transaction Receipts can be printed at the touch of a button.

The cash journal supports the following accounting transactions:

- Cash Receipts - Cash sales revenue, cash transfers from the bank to the cash account, vendor invoice payments, and customer invoice repayments. A cash journal must always have a balance of at least zero.
- Cash Payments - Cash expenses, cash transfers from the cash account to the bank, customer invoice payments, and vendor invoice repayments.

It is expected that the individual agencies maintain individual petty cash accounts and will require the functions available within the cash journal. The identification of these accounts will be made as agencies are implemented.

Benefits

The implementation of Cash Management functionality will serve to benefit the individual agencies as well as the central operations of the State. Through the Cash Management workshops, a number of initial benefits for the functions were identified. These include:

- Enhanced automation allows for increased use of Lock-Box technologies and centralized receipt processes
- Imaging allows for validated deposit slips to be attached to the related accounting documents
- No more Green Deposit form
- Automatic matching of cash received to the related Account Receivable
- Eliminate/reduce the need for the Cash and Investments Closing Package
- Ability to directly link the Investment Earnings to the account that generated them, thereby eliminating the need for agencies to spread them across the various accounts

Business Requirements

The following set of business requirements represent items that were discussed during the Business Blueprint workshops that can be classified in one of the following categories: 1)A new requirement (i.e. not identified in the original RFP); 2)A previous requirement that responding to a solution that has changed significantly (i.e. grants); or 3)A previous requirement that should be reviewed carefully with the solution as it may not fall in line with the solution best practice.

Please refer to the appendix of this document for the RFP requirements.

Reconciliation of cash by fund as maintained by the State Treasurer's Office (STO). This will be done using the pooled cash concept described above.

Scanning of checks and cross-reference with customer invoices and receipts will be possible through the Imaging solution.

Reporting

The system offers easy access to information on a real-time basis. Financial information can be reviewed by displaying the account balances and their line items as well as the documents that have been posted. Display parameters will determine the range of information for the account when displayed on the screen. For each period, the following is displayed:

- Total Debits
- Total Credits
- Balance DC (difference of debits and credits posted for the period)
- Account Balance (cumulative)

It is possible to drill-down from this view to see the line items that make up this balance and then the document that posted the line item. This is possible only if the Display Line Items indicator is marked in the G/L Account master record. This functionality is available for all customer, vendor, and G/L accounts.

The following are initial functions available when displaying line items:

- Line Item Selection: used to select the type of line item to be viewed:
 - Open
 - Cleared
 - All
- According to their type
 - Normal
 - Noted
 - Parked
 - Special general ledger transactions (For customer and vendor line items)
 - Vendor/Customer items (For customer and vendor line items)

The Cash Management workshops identified specific types of reporting needs for cash activities. Most of the Cash Management reports will be supported through the usage of the SCEIS solution and not through Business Warehouse functionality. The workshop subject matter experts from the State identified the following reporting requirements from Cash Management functions:

Exhibit 2.9.1-1 Cash Management Reporting Needs

Report Name	Description	Standard Report
Cash Balance by GL Account	This report shows balance totals by period for a cash account or a group of cash accounts. Drilldown capability exists to go to the line items that make up the balances.	Display Balances
Detail Transaction Report	This report shows a line item display for a cash account or a group of cash accounts. These items can be sorted or filtered based upon any of the business objects that are included in the individual line items.	Display Line Items

InfoCubes represent predefined sets of data that will be accessible for authorized users from the SCEIS Business Warehouse. The InfoCubes contain information that is transferred from the production system into a repository on a predefined basis. The cubes are standard within the solution and will be reviewed by the project team to confirm applicability for the specific functional reporting needs as identified above. There are no standard InfoCubes for Cash Management; however, in order to support a pooled cash concept and to review historical data for outgoing payments and incoming payments (AP and AR), the cubes available within the General Ledger, Accounts Payable and Accounts Receivable will be used.

Workflow

If a data entry clerk has parked a document, the clerk can manually contact the appropriate supervisor for approval of the Parked Document or use the SCEIS solution workflow capability. Listed below are the benefits of utilizing workflow:

- A tool for increasing the efficiency of office communication and organization
- Allows automated document release (posting the document) and/or approval procedures involving two persons
- Increases efficiency of business processes by linking tasks to employees or departments within the organization

- Reduces time and cost in managing business processes by coordinating people, work steps and the data to be processed
- Increases transparency and quality

Through workflow, multiple approval processes can be configured. When a document is parked, it is triggered by threshold amounts for release to be approved. However, only three levels of amount approvals are possible. The amount-based release procedure will determine which person of responsibility should be notified (the approval path between employees or organizational departments must be configured), and the system will automatically place a message in the approver's mailbox to review the parked document. Upon review, the approver can complete (insert additional required information), approve or reject the parked document. If rejected, a mail message will be sent to the originator of the Parked Document. If completed, the parked document is ready to be posted (called "Release" in workflow).

If certain information is not available during document creation, the document can be saved as a held document. As with a parked document, when a held document is saved, no financial accounting entries are posted. Holding a document differs from parking a document in the following ways:

- The User assigns a temporary document number to the held document, which is controlled by the User ID. Others cannot view or change this held document.
- Held documents cannot be viewed in Account Display. Held documents can only be displayed during standard document entry time using the Open Held Document push-button.

The State will use workflow to facilitate the following Cash Management processes.

- Acceptance of a new bank master record
- Changes to a bank master record, including deletion
- Deposits received via a lockbox will not require workflow as the new lockbox process will replace the old green deposit slip process
- Manual deposits, which are expected to be the exception, will require scanning of the validated bank deposit ticket along with workflow to the STO

Imaging

Imaging requirements have been identified for the documents that impact the cash management processes. Imaging within Cash Management refers to the scanning and capturing of information that is required to be maintained for the cash receipt document based on specified business rules or other requirements. The following table identifies the types of documents and information to be included in the imaging process and the point in the process to which the imaging activities would generally occur.

Exhibit 2.9.1-2 Cash Management Imaging Integration Points

Scanned Documentation	Approval Process	Imaging Integration Point
Checks	No	Agency personnel would attach the check to the corresponding SCEIS solution document.
Bank Master Data Form	Yes	Agency personnel would attach the form submitted to the cash supervisor after the bank master record has been created and while the bank record is in the pending status for approval.
Deposit Slips	No	Agency personnel would attach any deposit slips to the lockbox file as a part of a recordation of activities.
Cash Correspondence	No	Agency personnel would attach any cash related correspondence such as letters, statements, etc to the bank master record as a part of a recordation of activities.
Any additional relevant Manual Cash Management documentation	No	Agency personnel would attach any additional cash documentation deemed appropriate by the supervisor to the bank master record as a part of a recordation of activities.

User Roles

Based on the business processes supporting Cash Management, the following standard roles have been identified.

Exhibit 2.9.1-3 Cash Management Standard User Roles

User Role	Description
Central Cash Master Data Maintenance	Users will be able to create and change various master data elements, such as house bank and bank account information.
Agency/Central Cash Accountant	Users will be able to process cash documents, including deposit slips, and petty cash postings. Users will not be able to approve cash documents.
Agency/Central Cash Supervisor	Users will have access to view and approve all cash documents including deposit slips, and petty cash postings. Users will not be able to create cash documents.
Agency Cash Viewer	Users will be able to view most transactional data in cash, as well as execute reports, such as bank balances, bank lists, and open and cleared items.